

MANAGEMENT REPORT

for Q2



SOPHARMA AD

2013

General information about Sopharma AD

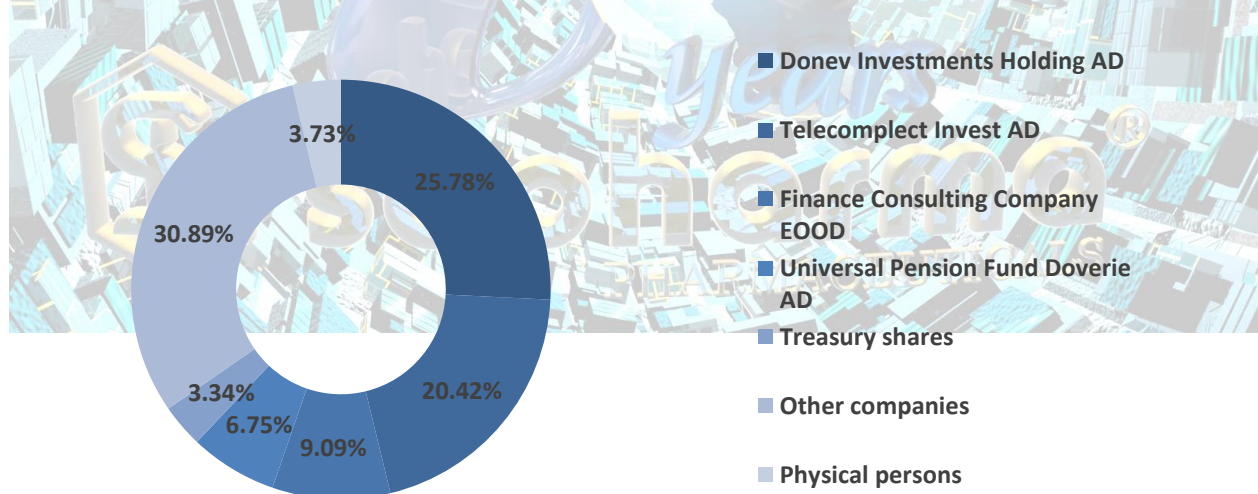
Sopharma AD is a trade company registered in Bulgaria under the Provisions of the Commercial Act, with its registered office in Sofia, Iliensko shose street No 16.

Sopharma AD was established in 1933 with a court registration of the company from 15.11.1991, the decision No 1 / 1991 of Sofia City Court. Sopharma AD is a public company under the Law on Public Offering of Securities.

The Company performs the production and marketing of medicinal substances and dosage forms; research, engineering and implementation activities in the field of phytochemistry, chemistry and pharmacy. Sopharma AD performs services as a production function and related ancillary and service activity.

The Company has marketing authorizations under the Law on Medicines and Pharmacies in Human Medicine for all products of its manufacturing nomenclature.

Shareholder structure as at 30 June 2013



Management Board

Sopharma AD has a one tier management system with a Board of Directors of five members as

follows: Ognian Donev, PhD - Chairman and members Vessela Stoeva, Ognian Palaveev, Alexander Tchaushev, Andrey Breshkov. The company is represented and managed by the Executive Director Ognian Donev, PhD.

Industrial activity

Sopharma AD manufacturing facilities are compliant with EU regulations and are located in Bulgaria. In June 2013 the company opened a new production plant with annual capacity of 4 billion tablets in Sofia. Sopharma AD is the only Bulgarian producer of ampoules and suppositories.

The production of the company is carried out and developed in the following areas:

- + Substances and preparations based on vegetable raw materials (phytochemical production);
- + Finished dosage forms including
 - ✓ Solid tablets, coated tablets, coated tablets, capsules;
 - ✓ Galenical - suppositories, drops, syrups, unguents;
 - ✓ Parenteral - injectables, powders for injections lyophilic

The company has more than 210 products in its portfolio: mainly generics and 15 original products, 12 products are phyto based. The original products of the Company (and in particular Carsil and Tempalgin) are key contributors to its revenues from export markets, while for the domestic sales the most important products are generics, among which is the leading drug is Analgin.

The product portfolio of Sopharma AD is focused on the following therapeutic areas: cardiology, gastroenterology, pain management, cough and cold, immunology and dermatology, respiratory and asthma, neurology and psychiatry, urology and gynaecology.

The most important pharmaceutical products in terms of their contribution to revenues are:

- + Carsil - original product plant-based, used to treat gastroenterological disorders (liver disease);

- ✦ Nivalin – original phyto-based product, used in the treatment of the peripheral nervous system;
- ✦ Tempalgin - original analgesic (painkiller);
- ✦ Analgin - generic analgesic (painkiller);
- ✦ Broncholytin - original plant-based product used to suppress cough;
- ✦ Methylprednisolone - generic drugs for cases of severe allergies and certain life-threatening conditions;
- ✦ Tabex – original plant-based drug used for smoking secession
- ✦ Tribestan – original plant-based product, used for stimulation of the reproductive system

Intellectual property

Although oriented towards generic pharmaceuticals, Sopharma AD is known for many years with its traditional production of several unique products based on plant extracts obtained by self-developed extraction technologies. These products are protected in addition to trademark and patent or corporate know-how.

For the manufactured generic products Sopharma AD relies on brand names to distinguish, all of which are registered trademarks of the company.

In all the years of its existence, Sopharma AD generates and protects its intellectual property. As a result, the company owns a large number of intellectual property, most of which - registered rights (trademarks, patents, designs) and unregistered items - mainly technology.

These assets are the result of the policy of the company for product and technological improvement, and innovation in particular.

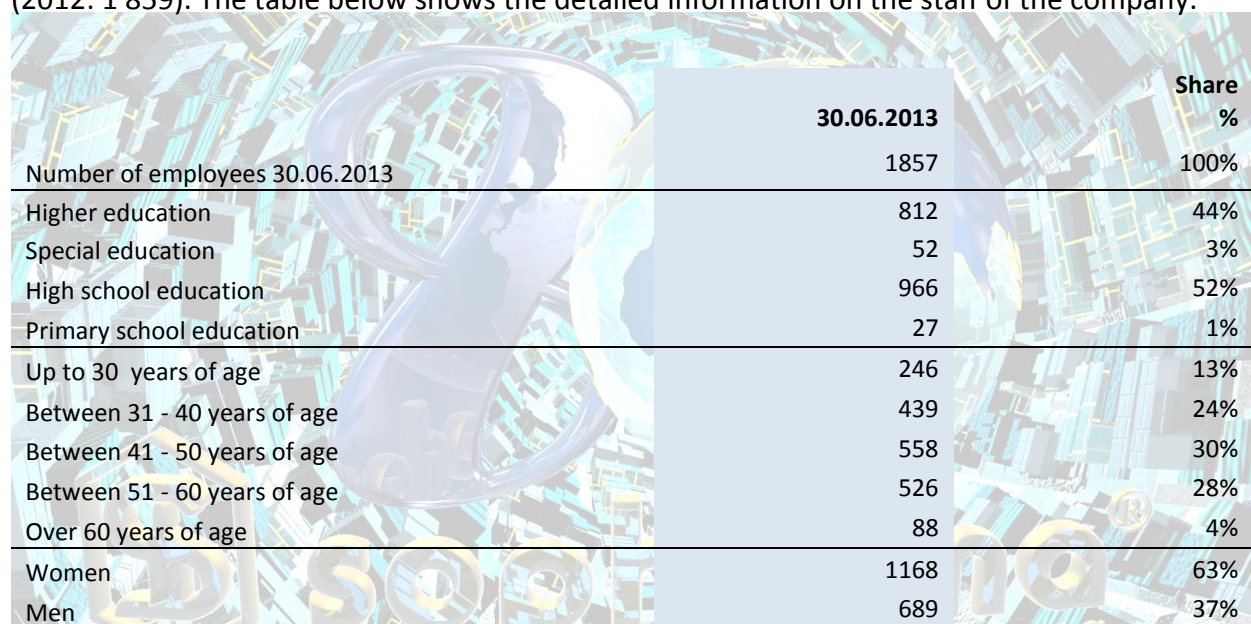
Research and development

Sopharma AD focuses its R & D mainly on generics. R & D projects are focused on finding and developing new formulas and composition or physical properties (such as formulation or tablets) products in order to adapt them to current market needs. Strategic goal of Sopharma AD in the future is to achieve a stable result development of eight to ten new products per year.

The company mainly submitted applications for marketing authorizations of new products, including new forms of products in Bulgaria and / or export markets and for existing products into new markets.

Employees

In the second quarter of 2013 the average number of employees of Sopharma AD is 1 827 (2012: 1 859). The table below shows the detailed information on the staff of the company.



	30.06.2013	Share %
Number of employees 30.06.2013	1857	100%
Higher education	812	44%
Special education	52	3%
High school education	966	52%
Primary school education	27	1%
Up to 30 years of age	246	13%
Between 31 - 40 years of age	439	24%
Between 41 - 50 years of age	558	30%
Between 51 - 60 years of age	526	28%
Over 60 years of age	88	4%
Women	1168	63%
Men	689	37%

Training programs offered to employees of the company, aim at increasing their competence levels. The training policy is specifically aimed at providing high professional knowledge and improving awareness related to health and safety issues.

Employees are entitled to higher remuneration, required by applicable law for overtime, night shifts and working weekends and during holidays. Employees who work in specific, harmful or dangerous conditions receive personal protective equipment and allowances.

Changes in the second quarter of 2013

On 23 January 2013 Sopharma AD received a notification of disclosure of shareholdings under art. 145 of POSA from Financial Consulting Company EOOD for the selling of 4,053,002 shares of Sopharma, resulting in a decrease of its interest in the capital of Sopharma to 9,62%.

On 23 January 2013 Sopharma AD received a notification for disclosure of shareholdings under art. 145 of POSA from Donev Investments Holding AD for the purchasing of 2,982,666 shares of Sopharma, resulting in an increase of its share in the capital of Sopharma to 26,79%.

On 18 February 2013 Sopharma sold 1,105,000 shares in the capital of Sopharma Trading AD, resulting in a decrease in its share in the capital of the company to 76,77%.

The Extraordinary General Meeting of Shareholders of Sopharma AD, which was held on 28 February 2013 took the following decision: "Amendment of the conditions for acquisition of treasury shares of the Company. Draft decision: AGM shall amend the conditions for share repurchase, determined by the decision on the regular AGM, held on 23 June 2010, and amended by decisions of the Extraordinary General Meeting of Shareholders from 30 November 2011 and the EGM from 1 November 2012, as follows: the repurchase of own shares representing the company's capital, subject to the specific requirements of CA and POSA, shall be carried out at a minimal repurchase price not lower than the nominal value of one share of the capital of the Company."

On 21 March 2013 Sopharma AD acquired additional 770 shares of the capital of Momina Krepost AD. After this transaction the share of Sopharma AD in the capital of Momina Krepost AD increased to 50.01%.

The Board of Directors of Sopharma authorize the Executive Director to launch negotiations for the sale of all shares representing 85% of the capital of the subsidiary Extab Corporation in order to acquire resources for the development of the original products of Sopharma on new markets.

On 4 June 2013, Sopharma AD sold 156,000 shares of the capital of Doverie United Holding AD, through which transaction the share of the Company in the capital of the Holding fell to 9.90%.

On 13 June 2013 Sopharma AD opened its new tablet plant. The total investment is 70 million BGN on total built-up area of 20,000 square meters. There are plans for the production of 4 billion tablets annually in the plant, with a range including over 100 pharmaceutical products.

On 18 June 2013 Sopharma AD bought 4,039 shares of the capital raising of Lavena AD, through which transaction the share of Sopharma AD in the capital of Lavenda AD reached 5.18%.

On 21 June 2013 the Annual General Meeting of Shareholders of Sopharma was held. It decided on the payment of dividends to shareholders in the amount of 0.07 BGN (gross) per share. Dividend payment will start on 29 July 2013. In accordance with the Rules of the Central Depository AD, the dividend will be paid as follows: shareholders with open client accounts at an investment intermediary – through the investment intermediary, for shareholders without accounts an investment intermediary – through the branches of Eurobank EFG - Bulgaria /Postbank/ in the country.

New developments and products

New in Q2 2013

The Company has implemented 3 new products in its portfolio – Methadone Sopharma oral solution, Movix ampules, Carsil max 110mg. capsules.

Expected in 2013

Two to three new products are expected to be introduced by the end of 2013.

Developments

Thirty production processes and technologies are in the process of transfer, validation and optimization. Pharmaceutical development is carried out of 12 new products for the company.

Key financial indicators

Indicators	1-6/2013 BGN '000	1-6/2012 BGN '000	промяна %
Sales revenues	111 217	111 205	0,0%
EBITDA	31 334	26 968	16,2%
Operating profit	26 396	22 840	15,6%
Net profit	24 983	24 920	0,3%
CAPEX	18 336	28 375	-35,4%
	30.06.2013 BGN '000	31.12.2012 BGN '000	
Non-current assets	329 930	324 734	1,6%
Current assets	272 981	258 289	5,7%
Owners' equity	359 748	350 940	2,5%
Non-current liabilities	56 741	57 647	-1,6%
Current liabilities	181 342	174 436	4,0%
	1-6/2013	1-6/2012	
EBITDA / Sales revenues	28.2%	24,3%	
Operating profit/ Sales revenues	23.7%	20.5%	
Net profit/ Sales revenues	22.5%	22.4%	
Borrowed capital/Owners' equity	0,65	0,66	
Net debt/ EBITDA	3,6x	3,9x	

Review of risk factors

Risks relating to the Company's business and the industry the Company operates in

- ✚ The Company faces significant competition.
- ✚ Reputation of the Company may be adversely affected by untrue or misleading information available on websites containing the name "Sopharma", including www.sopharma.com, which have not been authorized by the Company.
- ✚ The Company is dependent on regulatory approvals.

- ✦ Government regulations affecting the Company's business may change, thus possibly increasing compliance costs or otherwise affecting its operations.
- ✦ Part of the Company's revenues, in particular in Bulgaria, depend on the inclusion of the Company's medicines on reimbursement lists.
- ✦ The Company's production facilities and processes are subject to strict requirements and regulatory approvals that may delay or disrupt the Company's operations.
- ✦ The Company's ability to pay dividends depends on a number of factors and there can be no assurance that the Company will be able to pay dividends in accordance with its dividend policy or at all in any given year.

- ✦ The Company is subject to operational risk which is inherent to its business activities.
- ✦ The Company is subject to numerous environmental and health and safety laws and regulations and is exposed to potential environmental liabilities.
- ✦ Litigation or other out-of-court proceedings or actions may adversely affect the Company's business, financial condition and results of operations.

Risks relating to Bulgaria and other markets in which the Group operates

- ✦ The macroeconomic environment, particularly in Bulgaria, Russia and Ukraine, has a significant effect on the Group's operations and position.
- ✦ The political environment in Bulgaria has a significant effect on the Group's operations and financial condition.
- ✦ The political environment in the Group's export markets, especially in Russia and Ukraine, has a significant effect on the Group's operations and financial condition.
- ✦ Risks related to the Bulgarian legal system.
- ✦ Developing legal frameworks in some countries in which the Group sells its products, in particular Russia and Ukraine, may negatively impact the Group's operations in such countries.
- ✦ Risks relating to exchange rates and the Bulgarian Currency Board.
- ✦ Interpretations of tax regulations may be unclear and tax laws and regulations applicable to the Group may change.

Currency risk

The Company performs its activities with an active exchange with foreign suppliers and clients. Therefore, it is exposed to currency risk mainly in respect of USD. The Company supplies part of its raw and other materials in USD. The currency risk is related with the adverse floating of the

exchange rate of USD against BGN in future business transactions as to the recognised assets and liabilities denominated in foreign currency and as to the net investments in foreign companies. The remaining part of company operations are usually denominated in BGN and/or EUR. To control foreign currency risk, the Company has introduced a system for planning import supplies, sales in foreign currency as well as procedures for daily monitoring of US dollar exchange rate movements and control on pending payments.

Credit risk

Credit risk is the risk that any of the Company's clients will fail to discharge in full and within the normally envisaged terms the amounts due under commercial receivables. The latter are presented in the statement of financial position at net value after deducting the impairment related to doubtful and bad debts. Such impairment is made where and when events have existed identifying loss due to uncollectability as per previous experience.

In the years of its trade experience, the Company has implemented different schemes of distribution to reach its efficient approach of today, in conformity with the market conditions, using various ways of payment as well as relevant trade discounts. The Company works on its main markets with counterparts with history of their relations on main markets, which include over 70 licensed Bulgarian and foreign traders of pharmaceuticals.

The cooperation with the National Health Insurance Fund and the state hospitals also require the implementation of deferred payments policy. In this sense, regardless of credit risk concentration, it is controlled through the choice of trade counterparts, current monitoring of their liquidity and financial stability as well as direct communication with them and search of prompt measures on first indications for existing problems.

Liquidity risk

Liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally its obligations within their maturity.

The Company generates and maintains a sufficient volume of liquid funds. An internal source of liquid funds for the Company is its main economic activity generating sufficient operational flows. Banks and other permanent counterparts represent external sources of funding. To isolate any possible liquidity risk, the Company implements a system of alternative mechanisms of acts and prognoses, the final aim being to maintain good liquidity and, respectively, ability to finance its economic activities. This is complemented by the monitoring of due dates and maturity of assets and liabilities as well as control of cash outflows.

Risk of interest-bearing cash flows

Interest-bearing assets are presented in the structure of Company's assets by cash and loans granted, which are with fixed interest rate. On the other hand, Company's borrowings in the form of long-term and short-term loans are usually with a floating interest rate. This circumstance makes the cash flows of the Company partially dependent on interest risk. This risk is covered in two ways:

- a) optimisation of the sources of credit resources for achieving relatively lower price of attracted funds; and
- b) the combined structure of interest rates on loans, which consists of two components – a permanent one and a variable one, the correlation between them, as well as their absolute value, can be achieved and maintained in a proportion favourable for the Company. The permanent component has a relatively low absolute value and sufficiently high relative share in the total interest rate. This circumstance eliminates the probability of a significant change in interest rate levels in case of variable component updating. Thus the probability for an unfavourable change of cash flows is reduced to a minimum.

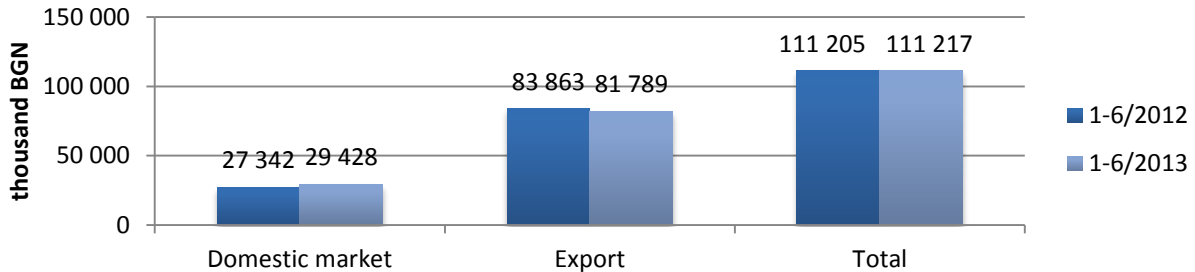
The Company's management currently monitors and analyses its exposure to changes in interest rates. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing. Based on these scenarios, the impact of a defined interest rate shift, expressed in points or percentage, on the financial result and equity is calculated. For each simulation, the same assumption for interest rate shift is used for all major currencies. The calculations are made for major interest-bearing positions.

Financial results in the second quarter of 2013

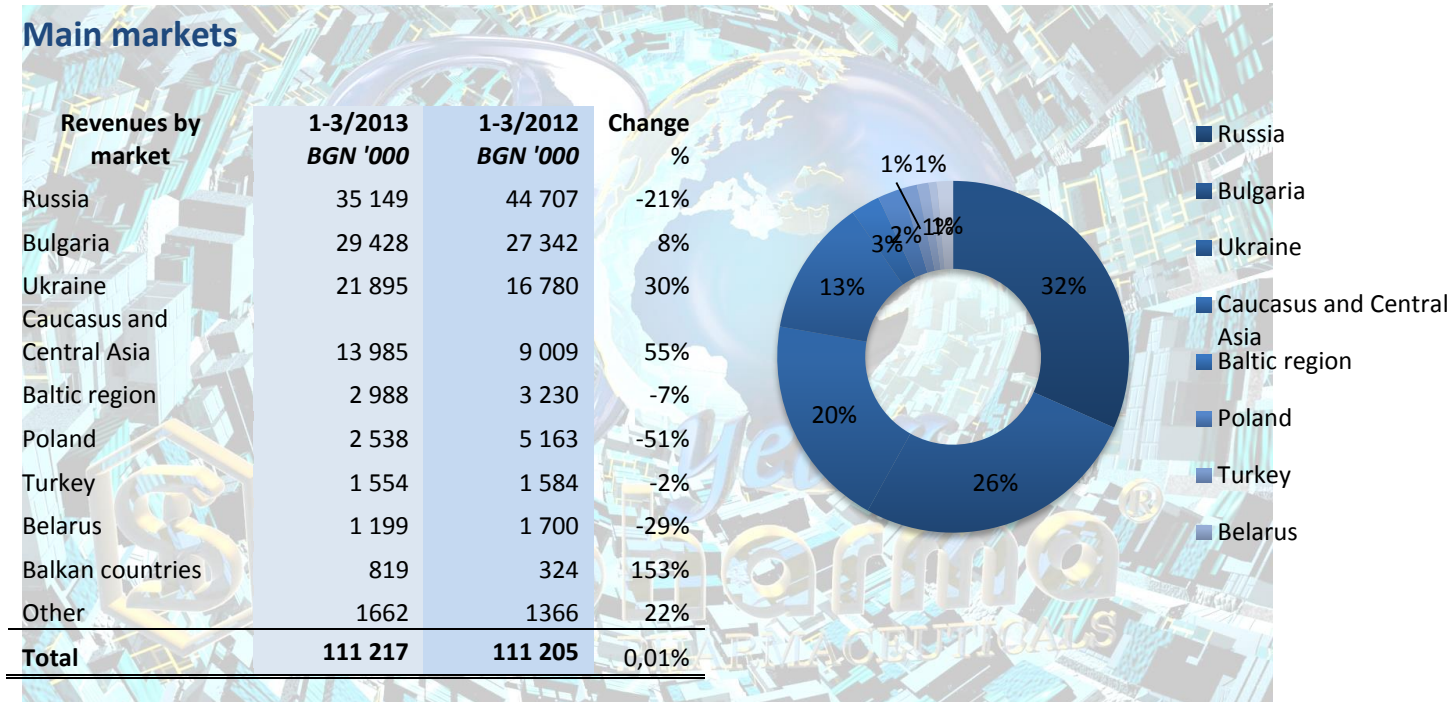
Sales revenues

Sales revenues of production increase by 0.01 million BGN or 0.01%, reaching 111,217 million BGN as at the end of the second quarter of 2013, compared to 111,205 million BGN at the end of the second quarter of 2012 .

Sales revenues



Main markets



🇷🇺 Russia

The sold production in Russia fell by 9.6 million BGN, or 21% to 35.1 million BGN in the second quarter of 2013 compared to 44,7 million BGN in the second quarter of 2012. The main products that are sold on the Russian market are Carsil, Tempalgin, Tabex, Sidnopharm and Broncholytin.

Bulgaria

The sales of Sopharma AD on the domestic market increased by 2.1 million BGN, or 8% and reached 29,4 million BGN in the second quarter of 2013 compared to 27,3 million BGN in the second quarter of 2012. The products with largest share of sales in the country are Vicetin, Analgin, Methylprednisolone, Nivalin and Vitamin C. Sopharma AD has a 4,3% share of total Bulgarian pharmaceutical market in value and 13.8% of sales in volume. The positions of the main competitors of the company in the country are as follows: Novartis - 7% (5% in units), Roche-6% (1% in units), Actavis - by value 5.6% (14.7% in units), GlaxoSmithKline – 5.6% (3% in units), Sanofi-Aventis-Zentiva – 4.3% (3.6% in units), Astra Zeneca – 3.8% (1% in units), Servier – 3.5% (2% in units), Pfizer – 3.5% (1.5% in units), Bayer - 3% (2% in units).

Ukraine

Sales in the Ukraine in the second quarter of 2013 increased by 5,1 million BGN or 30% to 21,9 million BGN for the current period from 16,8 million BGN for the same period in 2012. The main products exported to the Ukrainian market are Carsil, Tempalgin, Tribestan, Tabex and Spazmil M.

Caucasus and Central Asia

Sales in the Caucasus and Central Asia (including Kazakhstan, Uzbekistan, Turkmenistan, Kyrgyzstan, Tajikistan, Georgia, Azerbaijan and Armenia) rose by 5 million BGN or 55%, reaching 14 million BGN in the second quarter of 2013, compared to 9 million BGN in 2012. The largest share of revenues in this region have sales in Kazakhstan (53%), with an increase of 83% over the previous year, reaching 7,4 million BGN. The main products Sopharma AD exported to this region were Tempalgin, Broncholytin, Carsil, Tribestan and Nivalin.

Poland

Sopharma AD decreased its sales in Poland by 2,6 million BGN from 5,1 million BGN in the second quarter of 2013 to 2,5 million BGN in the second quarter of 2012. The main products on this market are Tabex, Nivalin, Buscolisin, and Spasmalgon.

Baltic region

Sales to the Baltic region have decreased by 0,2 million BGN or 7%, from 3,2 million BGN in the second quarter of 2012 to 3 million BGN in the second quarter of 2013. The main products are Carsil, Tabex and ampoules.

🇹🇷 Turkey

In Turkey, sales remained at 1.6 million BGN for both comparable periods. The main product sold on this market is Methylprednisolone.

🇲🇰 Balkan countries

Sales in the Balkan countries in the second quarter of 2013 amount to 0,8 million BGN compared to 0,3 million BGN in the second quarter of 2012. The main products, sold on these markets are sterilized water, Paracetamol, Tabex, Buscoliydin.

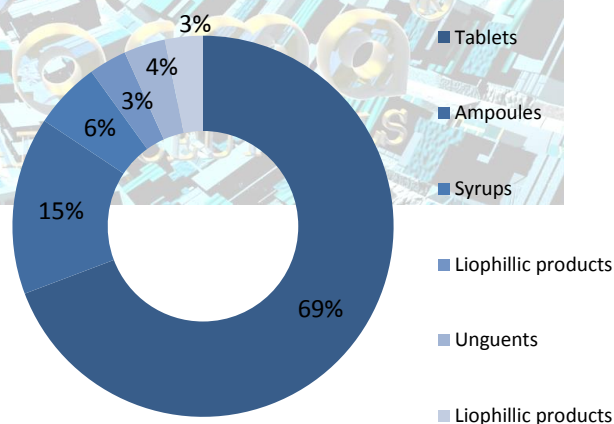
🇧🇪 Belarus

Sales in Belarus in the second quarter of 2013 amount to 1,2 million BGN, compared to 1,7 million BGN in the second quarter of 2012. The main products sold on this market are Allergosan, Tabex, Troxerutin, Clenbuterol, Tempalgin.

Sales by type of formulation

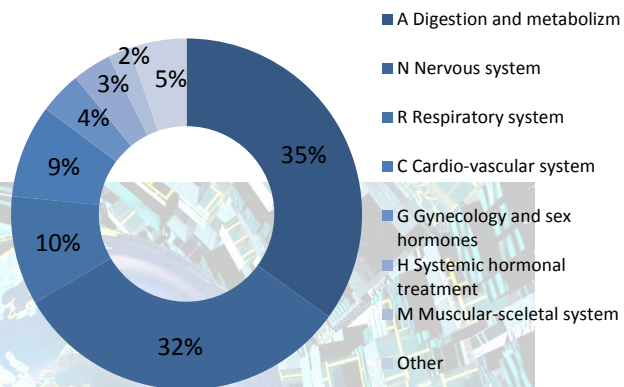
The highest share in the volume of sales have tablet formulations, followed by ampoules, syrups, lyophilic products and unguents.

Revenues by type of formulation	1-6/2013	1-6/2012	Change
	BGN '000	BGN '000	
Tablets	78 291	82 927	-6%
Ampoules	17 061	15 803	8%
Syrups	6 456	5 596	15%
Lyophilic products	3 644	3 425	6%
Unguents	3 967	2 747	44%
Other	1 798	707	154%
Total	111 217	111 205	0,01%



Sales by therapeutic group

Revenues by therapeutic group	1-6/2013 BGN '000	1-6/2012 BGN '000	Change %
A Digestion and metabolism	38 877	30 482	28%
N Nervous system	35 154	47 690	-26%
R Respiratory system	11 180	8 202	36%
C Cardio-vascular system	9 563	12 284	-22%
G Gynaecology and sex hormones	4 332	3 594	21%
H Systemic hormonal treatment	3 986	2 765	44%
M Muscular-skeletal system	2 269	2 199	3%
Other	5 855	3 989	47%
Total	111 217	111 205	0,01%



Other operating revenues

Other operating revenues	1-6/2013 BGN '000	1-6/2012 BGN '000	Change %	Share 2013 %
Income from services	1 324	1 158	14%	84%
Income from sale of products	324	248	31%	21%
Income from sale of materials	239	239	0%	15%
Net loss from exchange rate differences	(326)	(134)	143%	-21%
Other	7	446	-98%	0%
Other operating income	1 568	1 957	-20%	100%

Other operating income decreased by 0,4 million BGN from 1,9 million BGN in the second quarter of 2012 to 1,5 million BGN in the second quarter of 2013. Main contributors to the decrease are sales building rights with 0,2 million BGN, net loss from exchange rate differences on commercial receivables, liabilities and current accounts, and income from sale of materials. Income from services have an effect in the opposite direction.

Operating expenses	1-6/2013	1-6/2012	Change	Share2012
	BGN '000	BGN '000	%	%
Changes in the finished goods and work-in-progress inventory	5 941	1 178	404%	7%
Materials	26 847	31 709	-15%	31%
External services	27 951	32 938	-15%	32%
Personnel	17 843	18 140	-2%	21%
Amortization	4 938	4 128	20%	6%
Other operating expenses	2 869	2 229	29%	3%
Total operating expenses	86 389	90 322	-4%	100%

The operating expenses decreased by 3,9 million BGN, or 4%, from 90,3 million BGN in the second quarter of 2012 to 86,4 million BGN in the second quarter of 2013, which is due to decrease in the cost of materials, hired services and personnel.

Materials expenses	1-6/2013	1-6/2012	Change	Share 2012
	BGN '000	BGN '000	%	%
Main materials	20 599	24 428	-16%	77%
Spare parts, laboratory items and technical materials	2 021	2 546	-21%	8%
Heat	1 649	2 049	-20%	6%
Electricity	1 412	1 211	17%	5%
Fuels and lubricants	536	673	-20%	2%
Water	320	398	-20%	1%
Work cloths	310	401	-23%	1%
Scraping of materials		3	-100%	0%
Total	26 847	31 709	-15%	100%

Cost of materials (31% share) decreased by 15% or 4,9 million BGN from 31,7 million BGN in the second quarter of 2013 to 26,8 million BGN in the second quarter of 2013. Costs for basic materials decreased by 3,8 million BGN, in the segments substances, packaging materials, auxiliary, liquid, and hard chemicals, ampules, and herbs. There was a decrease in the cost of heat, spare parts, laboratory and technical materials, fuel and lubricants, water and working cloths.

	1-6/2013	1-6/2012	Change	Share 2012
	BGN '000	BGN '000	%	%
Hired services expenses				
Manufacturing	11 629	15 703	-26%	42%
Advertising	4 091	6 553	-38%	15%
Consultancy fees	4 159	929	348%	15%
Transportation	1 420	1 617	-12%	5%
Rents	1 195	919	30%	4%
Logistics	878	1 110	-21%	3%
State and regulatory taxes and local taxes	459	776	-41%	2%
Security	446	400	12%	2%
Maintenance of buildings and equipment	435	1 055	-59%	2%
Insurance	366	476	-23%	1%
Subscription fees	305	355	-14%	1%
Civil contracts	329	589	-44%	1%
Registration services and clinical trials	380	369	3%	1%
Local taxes and fees	326	380	-14%	1%
Medical services	290	245	18%	1%
Other	1 243	1 462	-15%	4%
Other	27 951	32 938	-15%	100%

Hired services have a 32% share of operating expenses and decreased by 5 million BGN or 15%, reaching 28 million BGN in the second quarter of 2013 compared to 33 million BGN in the second quarter of 2012. The most significant impact have the decrease in manufacturing cost by 4,1 million BGN, advertising cost by 2,5 million BGN and the cost for maintenance of buildings and equipment by 0,6 million BGN. There is an increase in consultancy services by 3,2 million BGN, rents by 0,3 million BGN and others.

	1-6/2013	1-6/2012	Change	Share 2012
	BGN '000	BGN '000	%	%
Personnel expenses				
Salaries	12 469	12 345	1%	70%
Social insurance	2 079	2 520	-18%	12%
Performance-based bonuses	1 235	1 224	1%	7%
Social benefits and payments	988	917	8%	6%
Other	1 072	1 134	-5%	6%
Total	17 843	18 140	-2%	100%

Personnel costs (a share of 21%) decreased by 0,3 million BGN, or 2% from 18,1 million BGN in the second quarter of 2012 to 17,8 million BGN in the second quarter of 2013. Social security contributions decreased by 0,4 million BGN and social benefits and current accruals increased by 0,07 million BGN and 0,1 million BGN respectively.

	1-6/2013	1-6/2012	Change	Share 2012
	BGN '000	BGN '000	%	%
Other expenses				
Entertainment expenses	846	997	-15%	29%
Other taxes and payments to the budget	624	53	1077%	22%
Accrued depreciation	622	546	14%	22%
Business trips	291	429	-32%	10%
Scrap and losses of finished products and work-in-progress	185	29		6%
Other (see FS notes)	301	175	72%	10%
Total	2 869	2 229	29%	100%

Other operating expenses (with a share of 3%) increased by 0,6 million or 29% from 2,2 million BGN in the second quarter of 2012 to 2,9 million BGN in the second quarter of 2013, which is mostly due to an increase in other taxes and payments to the budget by 0,6 million BGN, scrap and losses of finished products and work-in-progress by 0,2 million BGN and other expenses by 0,1 million BGN. Entertainment expenses, trainings and business trips costs decreased.

Costs of amortization recorded an increase of 20% from 4,1 million BGN in the second quarter of 2012 to 4,9 million BGN in the second quarter of 2013.

Financial income and expenses

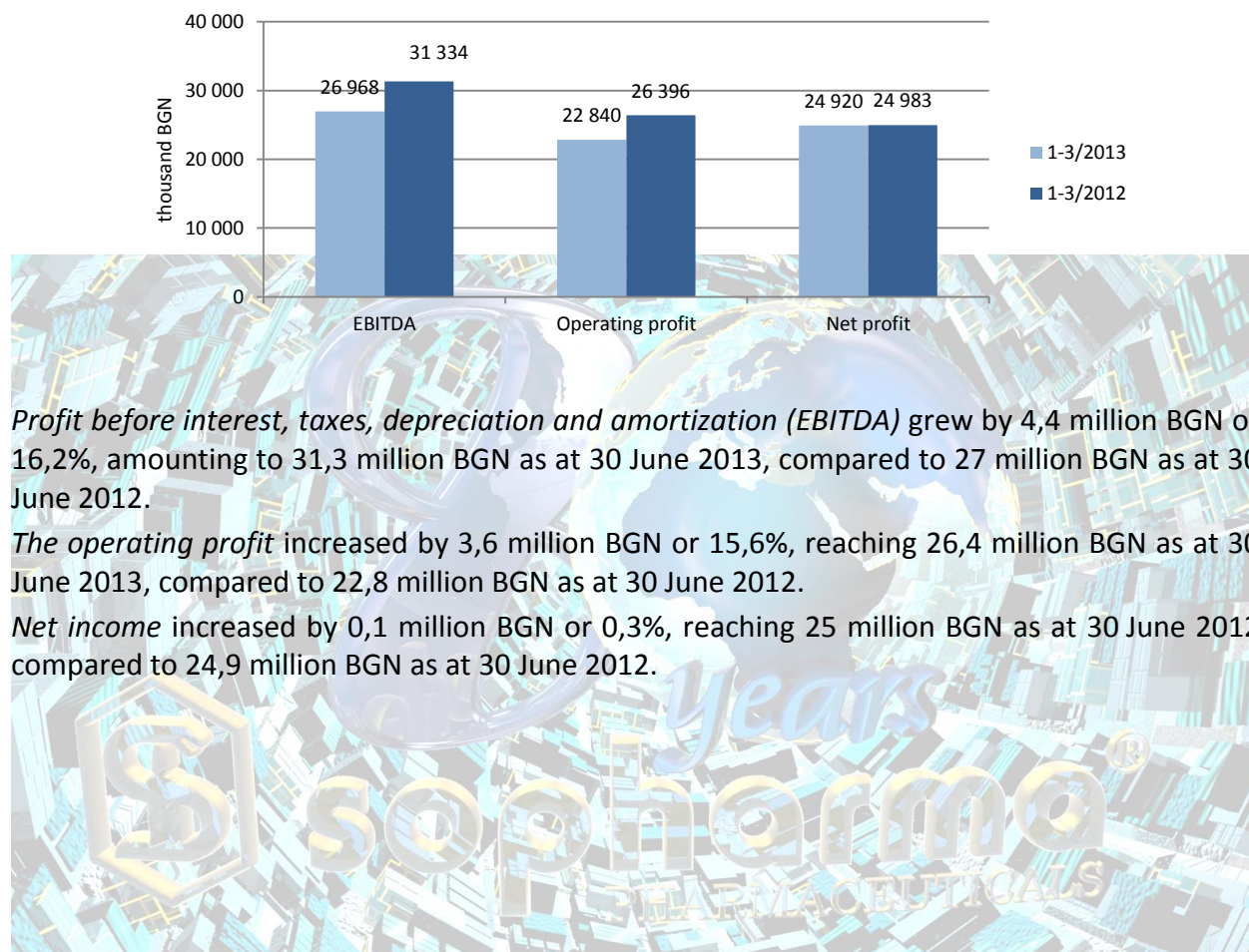
Financial income	1-6/2013	1-6/2012	Change	Share 2012
	BGN '000	BGN '000	%	%
Income from participations	5 888	4 701	25.2%	74%
Income from interest on loans granted	2 068	2 710	-23.7%	26%
Net gain from exchange rate differences on loans		133	-100.0%	0%
Income from interest on deposits		3	-100.0%	0%
Total	7 956	7 547	5%	100%
Financial expenses				
Net loss on from operations with securities	4 596	5		0%
Expenses for interest on loans received	2 174	2 540	-14%	88%
Bank fees for loans and guarantees	208	197	6%	7%
Net loss from exchange rate differences on loans	51			0%
Financial leasing expenses	38	134	-72%	5%
Total	7 067	2 876	146%	100%

Financial income increased by 0,4 million BGN, or 5%, reaching 8 million BGN in the second quarter of 2013 compared to 7,1 million BGN in the second quarter of 2012. Income from participations increased by 1,2 million BGN. Income from interest on loans granted decreased by 0,6 million BGN and tet grain from exchange rate differences on loans – by 0,1 million BGN.

Financial expenses increased by 4,2 million BGN from 2,9 million BGN in the second quarter of 2012 to 7,1 million BGN in the second quarter of 2013. This increase is mainly due to the net loss on from operations with securities by 4,6 million BGN as a result of the sale of shares of Doverie United Holding AD.

Net financial income (expense) decreased by 3,8 million BGN, reaching 0,9 million BGN by the end of the second quarter of 2013, compared to 4,7 million BGN at the end of the second quarter of 2012.

Operating result



Assets

	30.06.2013	31.12.2012	Change	Share 2012
	BGN '000	BGN '000	%	%
Non-current assets				
Property, plant and equipment	199 470	186 861	7%	60%
Intangible assets	3 774	3 973	-5%	1%
Investment property	19 391	19 391	0%	6%
Investments in subsidiaries	93 687	92 932	1%	28%
Available-for-sale investments	13 157	19 472	-32%	4%
Long-term receivables from related parties	435	1 183	-63%	0%
Other long-term receivables	16	922	-98%	0%
	329 930	324 734	2%	55%
Current assets				
Inventories	50 798	54 482	-7%	19%
Receivables from related parties	170 840	167 113	2%	63%
Commercial receivables	33 776	22 539	50%	12%
Other receivables and prepaid expenses	9 377	11 560	-19%	3%
Cash and cash equivalents	8 190	2 595	216%	3%
	272 981	258 289	6%	45%
TOTAL ASSETS	602 911	583 023	3%	100%

Total assets increased by 19,9 million BGN or 3%, reaching 602,9 million BGN compared to 583 million BGN as at 31 December 2012 as a consequence of the increase of both current and non-current assets.

Non-current assets increased by 5,2 million BGN, or 2%, due to the increase in property, plant and equipment by 12,6 million BGN, the increase in investments in subsidiaries by 0,8 million BGN. The available-for-sale investments decreased by 6,3 million BGN, long-term receivables from related parties – by 0,7 million BGN, other long-term receivables – by 0,9 million BGN and intangible assets – by 0,2 million BGN compared to 31 December 2012.

	30.06.2013	31.12.2012	Change	Share
Property, plant and equipment	BGN '000	BGN '000	%	%
Land and buildings	129 298	63 259	104%	65%
Machines and equipment	40 248	33 500	20%	20%
Other	9 726	11 485	-15%	5%
In process of acquisition	20 198	78 617	-74%	10%
Total	199 470	186 861	7%	100%

Property, plant and equipment has most substantially increased in the proportion land and buildings by 66 million BGN and property, plant and equipment by 6,7 million BGN. The assets in process of acquisition decreased by 58,4 million BGN. These changes are primarily due to the newly opened plant for solid dosage forms. Intangible assets fell by 0,2 million BGN.

Investments in subsidiaries increased by 0,8 million BGN and the available-for-sale investments – by 6,3 million BGN, due to the sale of shares of the capital of Doverie United Holding AD.

Long-term loans to related parties decreases by 0,7 million BGN.

Current assets increased by 14,7 million BGN or 6%, reaching 273 million BGN as at 30 June 2013 compared to 258,3 million BGN as at 31 December 2012.

	30.06.2013	31.12.2012	change	share
Inventories	BGN '000	BGN '000	%	%
Materials	27 421	24 800	11%	54%
Finished products	16 952	22 973	-26%	33%
Work in progress	3 904	3 162	23%	8%
Semi-finished products	2 335	3 182	-27%	5%
Goods	186	365	-49%	0%
Total	50 798	54 482	-7%	100%

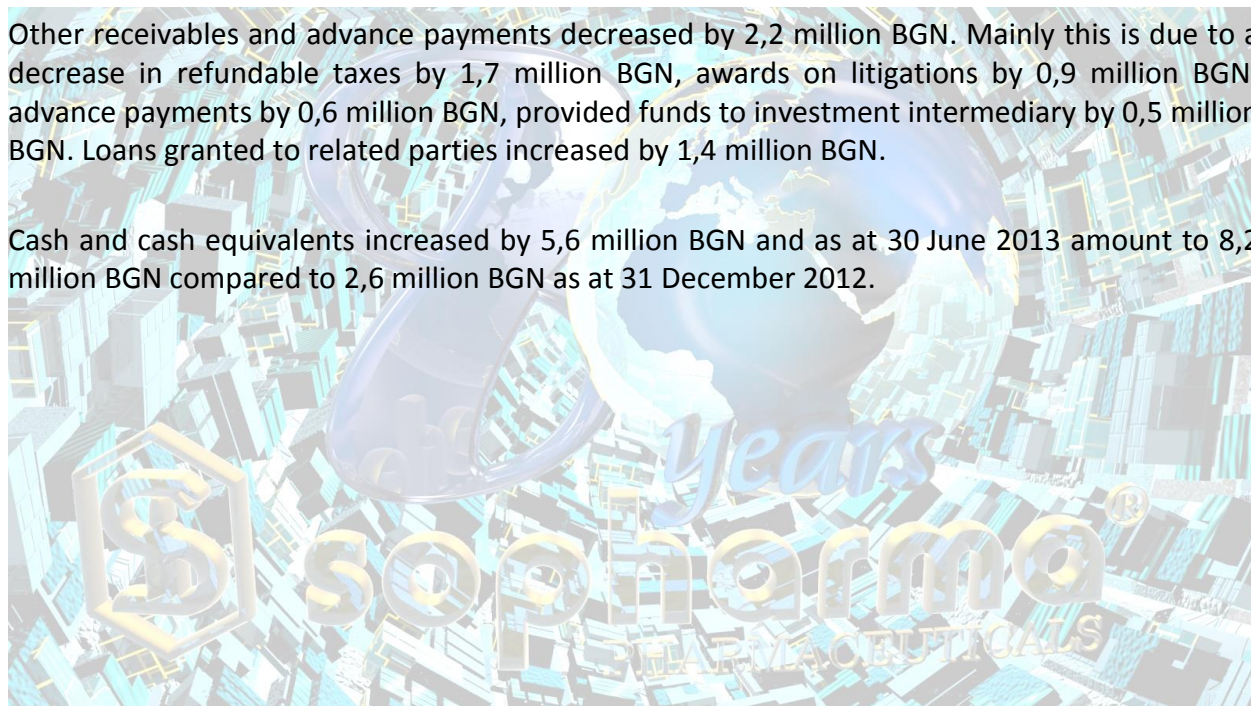
Inventories decreased by 3,7 million BGN compared to 31 December 2012, mainly in the part of finished products, semi-finished products and goods respectively by 6 million BGN, 0,8 million BGN and 0,2 million BGN. Materials increased by 2,6 million BGN, while unfinished products decreased by 0,7 million BGN.

Receivables from related parties increased by 3,7 million BGN. The greatest contribution to this increase have income from dividends with 5,2 million BGN. Income from sale of finished products and materials fell by 1,4 million BGN.

Commercial receivables increased by 11,2 million BGN in the portion of receivables from customers by 10,4 million BGN. Advance payments increased by 0,8 million BGN compared to 31 December 2012.

Other receivables and advance payments decreased by 2,2 million BGN. Mainly this is due to a decrease in refundable taxes by 1,7 million BGN, awards on litigations by 0,9 million BGN, advance payments by 0,6 million BGN, provided funds to investment intermediary by 0,5 million BGN. Loans granted to related parties increased by 1,4 million BGN.

Cash and cash equivalents increased by 5,6 million BGN and as at 30 June 2013 amount to 8,2 million BGN compared to 2,6 million BGN as at 31 December 2012.



Liabilities and owners' equity

	30.6.2013	31.12.2012	Change	Share 2012
	BGN '000	BGN '000	%	%
OWNERS' EQUITY				
Share capital	132 000	132 000	0%	36%
Treasury stock	(14 592)	(12 156)	20%	-4%
Reserves	222 431	189 928	17%	61%
Retained earnings	24 989	41 168	-39%	7%
TOTAL OWNERS' EQUITY	364 828	350 940	4%	100%
LIABILITIES				
Non-current liabilities				
Long-term bank loans	48 304	51 779	-7%	20%
Liabilities on deferred taxes	3 184	3 815	-17%	1%
Liabilities to the personnel upon retirement	1 479	1 371	8%	1%
Financial leasing liabilities	77	682	-89%	0%
Other non-current liabilities	3 697			2%
Total non-current liabilities	56 741	57 647	-2%	24%
Current liabilities				
Short-term bank loans	147 770	152 778	-3%	62%
Short-term part of long-term bank loans	7 709	5 888	31%	3%
Commercial liabilities	4 536	7 090	-36%	2%
Liabilities to related parties	10 027	3 782	165%	4%
Liabilities for taxes	307	208	48%	0%
Liabilities to the personnel and for social insurance	5 953	3 684	62%	3%
Other current liabilities	5 040	1 006	401%	2%
Total current liabilities	181 342	174 436	4%	76%
TOTAL LIABILITIES	238 083	232 083	3%	100%
TOTAL OWNERS' EQUITY AND LIABILITIES	602 911	583 023	3%	

Equity increased by 13,9 million BGN compared to 31 December 2012 as a result of increased reserves by 32,5 million BGN. At the end of the second quarter of 2013 the treasury stock amounts to 4 406 582. During the reporting period no new issue of securities was conducted.

Non-current liabilities decreased by 0,9 million BGN, from 57,6 million BGN at the end of the second quarter of 2012 to 56,7 million BGN at the end of the second quarter of 2013 mainly due to a decrease of long-term bank loans by 3,5 million BGN, as well as deferred taxes and finance lease liabilities.

Current liabilities increased by 6,9 million BGN compared to 31 December 2012, mainly due to the short-term part of long-term bank loans and liabilities to related parties by 1,8 million BGN and 6,2 million BGN respectively, as well as liabilities to the personell and for social insurance. Commercial payables decreased by 2,6 million BGN and short-term bank loans – by 5 million BGN.

The total exposition on bank loans of the Company as at 30 June 2013 decreased by 6,6 million BGN compared to 31 December 2012.

Commercial liabilities decreased due to liabilities to suppliers, which decreased by 2,6 million BGN compared to 31 December 2012.

Liabilities to related parties increased by 6,2 million BGN, mainly due to liabilities for dividends and services.

Liabilities to personnel and for social security increased by 2,2 million.

Other current liabilities increased in the segment liabilities for dividends.

Cash flow

	30.06.2013	30.06.2012
	BGN '000	BGN '000
Net cash flow from operations	21 588	9 100
Net cash flow from investment activities	(9 631)	(36 454)
Net cash flow used in financial operations	(6 362)	21 281
Net increase/(decrease) of cash and cash equivalents	5 595	(6 073)
Cash and cash equivalents on 1 January	2 595	18 038
Cash and cash equivalents on 30 June	8 190	11 965

Net cash flows as at 30 June 2013 generated from operating activities amounted to 21,6 million BGN, net cash from investing activities (9,6) million BGN and financing activities 6,4 million BGN. As a result of these activities cash and cash equivalents mark a net increase by 5,6 million BGN and as at 30 June 2013 amount to 8,2 million BGN compared to 2,6 million as at 1 January 2013.

Ratios

	30.06.2013	30.06.2012
ROE	11.7%	12.7%
ROA	7.0%	7.8%
Asset turnover	0.36	0.41
Current liquidity	1.51	1.54
Quick ratio	1.23	1.25
Cash/current liabilities	0.05	0.07
Owners' equity/liabilities	1.53	1.46

Information about the shares of Sopharma AD

The total number of outstanding shares at 30 June 2013 of Sopharma AD is 132 million with a nominal value of 1 BGN per share. All issued shares are registered, dematerialized, registered and indivisible. All issued shares are of one class. Each share gives equal rights to its owner, proportionate to the nominal share value. Shares of Sopharma AD are listed on the official market of the Bulgarian Stock Exchange - Sofia and the official market of the Warsaw Stock Exchange. Shares participate in the formation of the indices SOFIX, BG40 and BGTR30 of the Bulgarian Stock Exchange - Sofia.

The Company's shares are included in the indices Dow Jones STOXX EU Enlarged, Total Market Index 0.11% weight, with a weight of 5% in the Erste Bank Bulgaria Basket, the certificate of Raiffeisenbank - Raiffeisen Osteuropa Fonds and the certificate ABN AMRO SOFIX - Open-end-certificate and the new blue-chip index Dow Jones STOXX Balkan 50 Equal Weighted Index.

Sopharma AD is one of the three Bulgarian companies included in a new index for Central and Eastern Europe (CEE), which the Warsaw Stock Exchange started to calculate on 30 May 2012. The name of the index is WIG-CEE and it is the third one after WIG-Poland and WIG-Ukraine,

which is based on the origin of companies by country. WIG-CEE is calculated based on total return and includes income from dividends and subscription rights.

Important information for the shares of Sopharma AD

	30.06.2013	30.06.2012
Total number of issued shares	132 000 000	132 000 000
Average outstanding number of shares	128 393 174	129 861 484
Number of shares outstanding at the end of the period	127 593 418	128 856 218
Earnings per share in BGN	0,319	0,314
Price per share at the end of the period in BGN	3,115	2,170
Price/Earnings ratio (P/E)	9,76	6.91
Book value per share in BGN	2,859	2.602
Price/Book value ratio (P/B)	1,09	0,83
Sales per share in BGN	1,648	1,642
Price per share / Sales per share(P/S)	1,890	1,322
Market capitalization in BGN	411 180 000	286 440 000



Trade with shared of Sopharma AD on Bulgarian Stock Exchange – Sofia AD for the period 01 January 2013 – 30 June 2013

